

Asia Retail Country Report Series

# What's New and What's Next in South Korea Retail

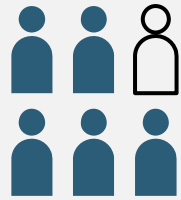


March  
2018

Asia Distribution and Retail

 FUNG BUSINESS INTELLIGENCE

Key  
economic  
indicators



**51 million\***

Population



**US\$1,539 billion\***

GDP



**2%\***

Consumer price inflation



**US\$280 billion\*\***

Retail sales

**Up 6.1% yoy**

**Up 3.2% yoy\***

Real GDP growth



**US\$37,755\***

GDP per head



**US\$58.8 billion\*\***

Internet sales

**Up 21% yoy**



Source: Economist Intelligence Unit estimates for 2017\*, Euromonitor International forecasts for 2017\*\*; compiled by Fung Business Intelligence

# Major domestic retailers

## Lotte 1<sup>st</sup>

### **Lotte Shopping**

**Sales 2016:** 29,526 billion won (US\$24.5 billion)\*

**Outlets 2016:** 9,965

#### **Major businesses and brands:**

Department stores: Lotte Department Store, Avenuel, Young Plaza, Lotte Outlets, Lotte Premium Outlets, Lotte Factory Outlets, eLotte premium online mall, eCUBE specialty store

Discount stores: Lotte Mart, VIC Market, Lotte Mart Mall online shopping mall

Supermarkets: Lotte Super, Lotte My Super, Lotte Market 999, e-Super online shopping mall, Lotte Premium Food Market

Convenience stores: 7-Eleven, Buy The Way

Personal electronics stores: Himart

Health & Beauty stores: LOHB's

Home Shopping: Lotte Home Shopping, Lotte i-Mall

Online Malls: Lotte.com

### **Lotte Duty Free**

**Sales 2016:** 5,980 billion won (US\$5 billion)\*

**Outlets 2016:** 8

#### **Major businesses and brands:**

Duty-free stores: Lotte Duty Free



\*US\$1=1,205.83 won; Bloomberg's USDKRW spot exchange Rate on 30 December 2016

Source: Companies' annual reports and websites, media reports; compiled by Fung Business Intelligence

# Major domestic retailers

## Shinsegae 2<sup>nd</sup>



### Shinsegae Inc.

**Sales 2016:** 2,947.4 billion won (US\$2.4 billion)\*

**Outlets 2016:** 17

#### Major businesses and brands:

Department stores:

Shinsegae, Shinsegae Dongdaegu CTC, Daejeon Shinsegae

Duty-free stores: Shinsegae Duty Free

Fashion stores: Shinsegae International

### E-Mart Inc.

**Sales 2016:** 14,791.3 billion won (US\$12.3 billion)\*

**Outlets 2016:** 2,152

#### Major businesses and brands:

Discount stores: EMart

Supermarkets: EMart Everyday

Convenience stores: With Me (rebranded to EMart 24 in 2017)

### Hyundai Department Store Co. Ltd.

**Sales 2016:** 1,831.8 billion won (US\$1.5 billion)\*

**Outlets 2016:** 26

#### Major businesses and brands:

Department stores: Hyundai Department Store, U-Plex, Hyundai City Outlets, Hyundai Premium Outlets

### Hyundai Home Shopping Network Corp.

**Sales 2016:** 969.43 billion won (US\$0.8 billion)\*

#### Major businesses and brands:

TV home shopping: Hyundai Home Shopping

Internet shopping: Hmall

## Hyundai Department Store 3<sup>rd</sup>



\*US\$1=1,205.83 won; Bloomberg's USDKRW spot exchange Rate on 30 December 2016

# Major retailers by sector

Sector	Major retailers
Internet retailing	EBay Inc., Forward Ventures LLC., Alphabet Inc., Ticketmonster Inc., Lotte Group
Apparel and footwear	Adidas Korea Ltd., FnC Kolon Corp., Samsung C&T Fashion Group, Frl Korea Co Ltd., Nike Sports Korea Co Ltd.
Beauty and personal care	AmorePacific Corp., LG Household & Health Care Ltd., Procter & Gamble Co., L'Oréal Group, Estée Lauder Cos Inc.
Consumer electronics	Samsung Electronics Co Ltd., LG Electronics Inc., Apple Inc., Xiaomi Inc., Sony Electronics of Korea Corp.
Catering	CJ Foodville Corp., Nolboo Co Ltd., Bonif Co Ltd., E-Land Park Ltd., Bloomin' Brands Inc.

# Key retail districts

## Seoul

- Gangnam
- Myeong-dong
- Dongdaemun
- Namdaemun
- Hongdae



# Prevailing trends



Photo source: Fung Business Intelligence

## Uncertain political and economic outlook posing adverse effect on retailers

South Korea was adversely impacted by the Terminal High Altitude Area Defence (THAAD) crisis in 2017. The country's deployment of the U.S.-owned THAAD missile defence system in its territory aroused economic backlash from China. South Korea's tourism, beauty & cosmetics and entertainment industries fell on hard times during China's retaliation over the THAAD arrangement. Many South Korean companies operating businesses in China and/ relying on Chinese tourists were hard hit in 2017.

The THAAD crisis finally ceased in November 2017 after South Korea agreed to accept military constraints\* in return for the lifting of China's unofficial economic sanctions that had suffocated South Korea since March 2017.

\*Also known as "three nos" - no further anti-ballistic missile systems in South Korea, no joining of a region-wide US missile defence system and no military alliance involving South Korea, the U.S. and Japan.

# Prevailing trends



Photo source: Fung Business Intelligence

## **Stronger retail sales growth expected in 2018; retailers gear up for the retail boom**

With China gradually lifting the ban on travel tours to South Korea, the beauty & cosmetics, apparel and duty-free sectors are expected to see growth recovery in 2018. Setting the stage for the likely influx of Chinese big spenders, major retailers have been stepping up efforts to meet the diverse needs of Chinese customers.

For example, Shinsegae Duty Free has announced to launch membership service for WeChat users, providing various shopping information and discounts for those who register for Shinsegae Duty Free membership via WeChat.

# Prevailing trends



Photo source: Fung Business Intelligence

## Cashierless, self-checkout technologies become popular among retailers

The steep hike in hourly minimum wage (up 16.8% to US\$6.6) effective from 2018 have prompted local retailers to turn to unmanned operations, such as installing smart shelves (using machine learning cameras, and other sensors to keep track of what items are taken off the shelves) and adopting self-checkout technology in-store.

There are two major unmanned convenience store operators in South Korea so far, including four E-mart 24 convenience stores operated by Shinsegae and one 7-Eleven Signature store run by Lotte at Lotte World Tower. Customers of E-mart 24 store are required to identify themselves with their credit card in order to enter the stores, while for 7-Eleven Signature store, shoppers have to register their vein patterns on their Lotte Cards so as to check out with the HandPay system at the store.

# Prevailing trends



Photo source: Fung Business Intelligence

## Retailers embrace digital strategies to engage customers

Increasing numbers of local retailers have drawn on digital technologies to provide better shopping experience for customers. As a case in point, Lotte has launched a new smart shopping service “Smart Shopper” at its food stores of Lotte Department Store Bundang branch. The new service, replacing the physical shopping carts, allows customers to shop by just scanning the bar codes of products with a shopper handheld scanner device provided instore. Customers can complete the payment at dedicated self-checkout terminals by tapping the handheld device against NFC readers and after the payment, customers can have their purchases delivered home.

Another major retailer Hyundai Department Store has also introduced a quick search service “Smart Finder”, with which shoppers can find their desirable products quickly at Hyundai’s online store. Smart Finder can analyse the designs, colours and patterns of the products in the photos uploaded by shoppers and recommend similar products, saving up to 50% on searching time.

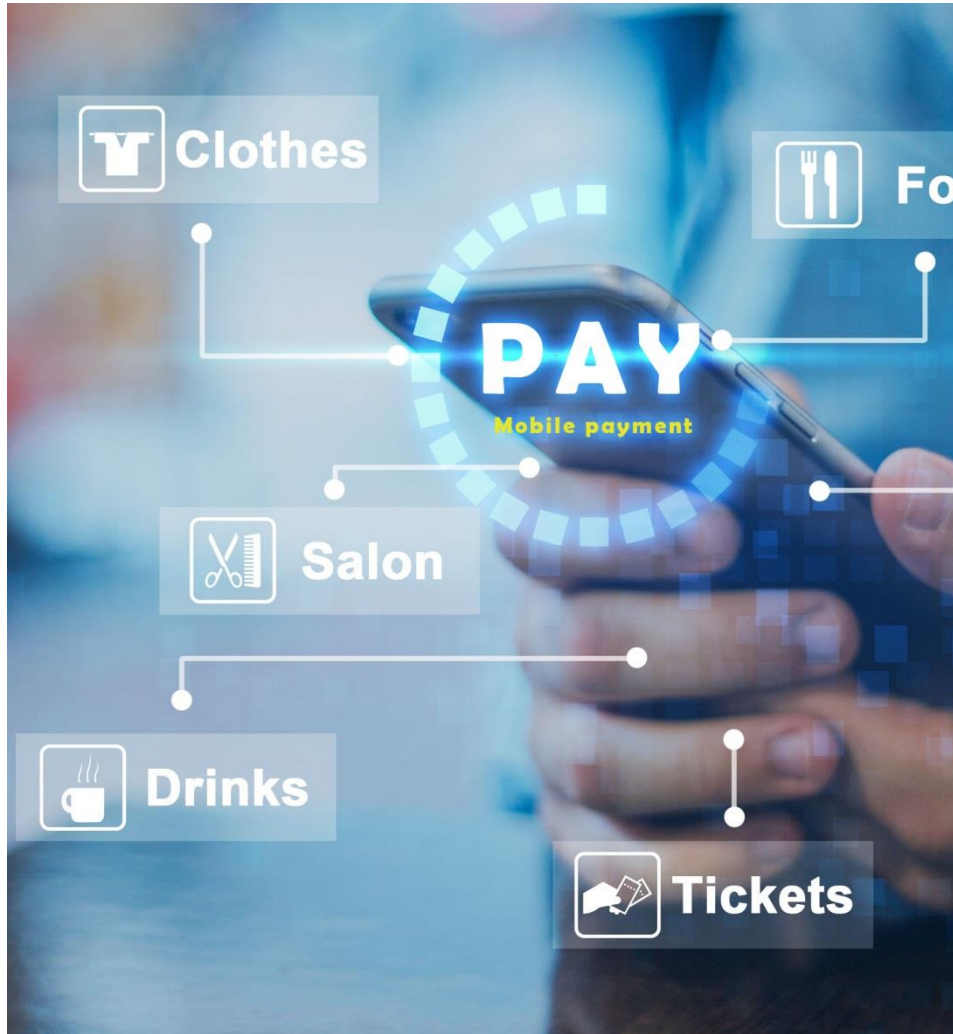
# Prevailing trends



## High smartphone penetration and usage driving the growth of m-commerce

M-commerce sales in South Korea further rose to 3.487 trillion won (US\$3.08 billion) in 2016, 56% of the total B2C sales of 6.188 trillion won (US\$5.47 billion) in the country, according to Statics Korea. M-commerce has taken up an increasing share of B2C online sales in South Korea since 2014. The robust sales growth was mainly attributed to the very high smartphone penetration (eMarketer estimates: 72.2% of the population in 2017) and usage rates in the country. In 2018, adults in South Korea are estimated to spend about 2 hours per day on smartphones, accounting for 28.6% of their daily media time on smartphones.

# Prevailing trends



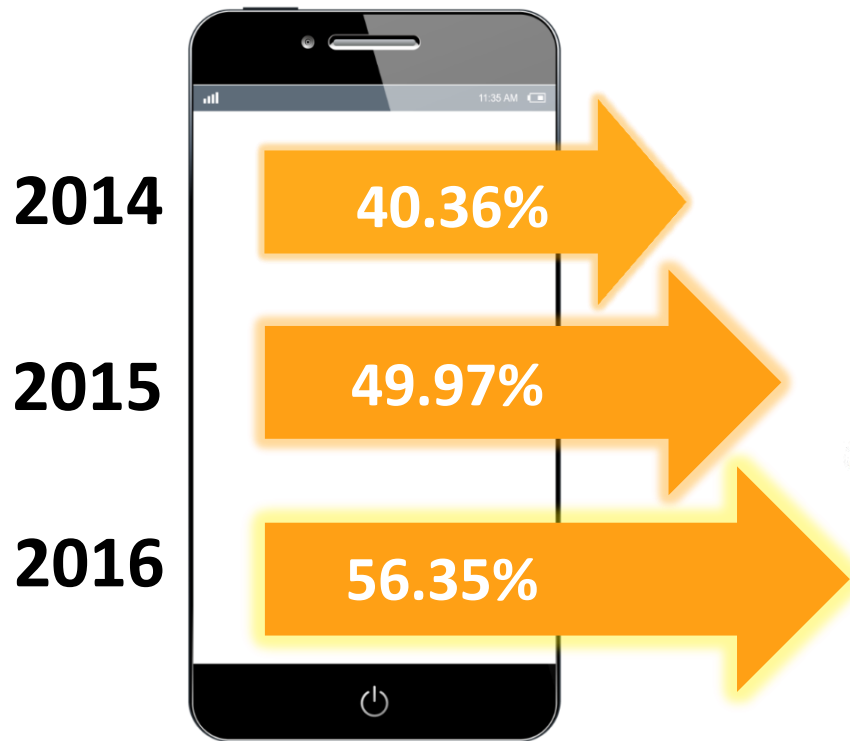
## Increasing popularity of mobile wallets

Riding on the burgeoning m-commerce growth in South Korea, a number of major players in the market have launched mobile payment services to make online shopping more easy and convenience for shoppers, including Samsung Pay by Samsung, SSG Pay by Shinseage Group, L.Pay by Lotte Group and KaKao Pay by local leading chat app KakaoTalk.

**DID YOU  
KNOW?**

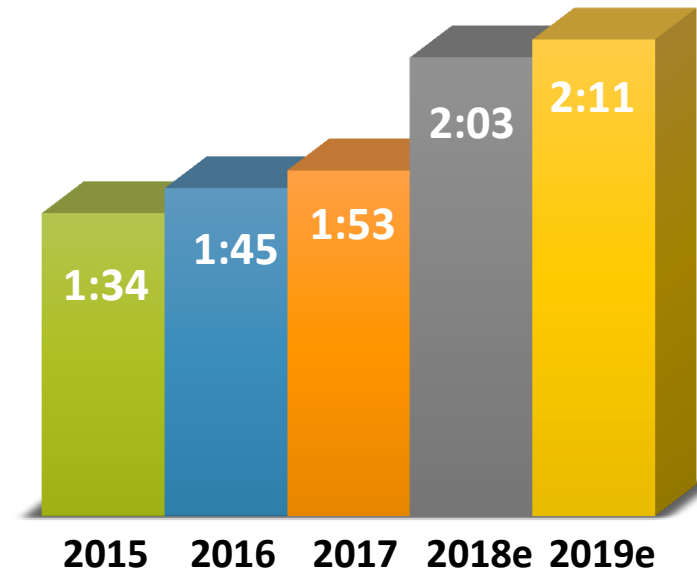
# Growth of M-commerce

**% of M-commerce sales over total B2C e-commerce sales in South Korea, 2014-2016**



Source: Statistics Korea; compiled by Fung Business Intelligence

**In Average time (hours: minutes) spent per day with smartphone by adults in South Korea, 2015-2019e**



Source: eMarketer; compiled by Fung Business Intelligence

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